

**A Life of a Restaurant in the Village:
An analysis and creation of a successful restaurant in Muncie's Village**

An Honors Thesis (HONRS 499)

By

Lauren K. Fish

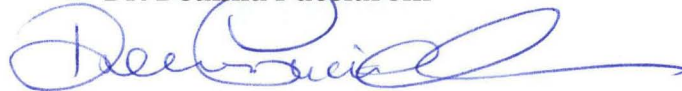
**A Life of a Restaurant in the Village:
An analysis and creation of a successful restaurant in Muncie's Village**

An Honors Thesis (HONRS 499)

By

Lauren K. Fish

**Thesis Advisor
Dr. Deanna Pucciarelli**



**Ball State University
Muncie, Indiana**

December 2010

Expected Date of Graduation

December 18, 2010

Abstract

The restaurant industry fluctuates with the economy just like any other business. The Village district in Muncie, Indiana, is an area that experiences a change of eateries more often than many other places; in some instances restaurants are unable to last a year. In order to make a restaurant successful, one must first look at what makes a restaurant fail and how restaurant failure is defined. The failure of a restaurant can be looked at from several angles including managerial and financial failure. To save a restaurant from failure it is important to look at the different reasons restaurants fail such as an unclear concept or lack of knowledge about the business. Using the knowledge gained about how restaurants fail, one could then create a concept to be successful in the Village. After much research, it was determined that a comfort food concept would survive in the Village using a business plan suited for the area.

Acknowledgements

I would like to thank Dr. Deanna Pucciarelli for guiding me through the process of creating this thesis. Without her guidance through both this semester and the last, this project would have never come to fruition.

I would also like to thank Nick, my husband, for his constant support, encouragement and cooking during this venture.

Literature Review

Restaurants in the Village of Muncie, Indiana, come and go in a quicker succession than most; however, when proper research is done in advance, a restaurant concept to fit the market has the potential to survive in the Village. The general public views the restaurant industry as having one of the highest failure rates; however, it is important to look at recent and relevant statistics to determine the answer (Walker, 2005). The data concerning the rate of restaurant failure is hard to find and the definition of restaurant failure changes with each new source. In order to create a restaurant that will survive in the Village, it is important to explore the different definitions of restaurant failure, the statistics of first year failure rates and how to find the proper fit for the demographic profile of the Village.

Common ways to look at restaurant failure are from the perspectives of economic, marketing and managerial failure (Parsa, 2005). Many studies look only at whether a restaurant filed for bankruptcy (economic failure), while other studies look at things such as change of ownership (managerial failure) or a location closure due to demographics (marketing failure) (Parsa, 2005). It is important to distinguish between the different types of failure in order to create a successful restaurant.

There are different reasons for using these definitions of failure. One reason might be the type of information available and therefore, it is important to realize the discrepancies the different definitions can cause in the results. When looking only at economic failure there is a lower first-year failure rate than when taking other factors, such as failure of management, into consideration (Parsa, 2005). For the purposes of this paper, the definition of restaurant failure will be both economic and managerial failure.

Even though no formal study has taken place to indicate the percentage of first-year failure rates for the Village, the quick succession of restaurants is best seen through the Ball State University newspaper the *The Ball State Daily News*. Since the Village is so close to Ball State University's campus, the campus newspaper covers the area and reports most of the openings and closures in the Village. By looking over past articles in the newspaper, it is easy to see many restaurants failed within their first year of operation.

To research the closures in the Village, I used *The Ball State Daily News's* search engine with the phrase "the Village." Over 500 articles are retrieved when using this phrase. After filtering through the results, I found several restaurants that closed within a year of opening. One such restaurant is Romo's Pizza, which closed after 8 months in the Village (Kerman, 2005). Romo's Pizza cited high rent and a lack of customers for its closure (Kerman, 2005). With national average first-year turnover rates below 30%, the abundance of restaurant failures in the Village is something that should be studied to understand the closures (Parsa, 2005).

Definitions aside, there are many ways to measure restaurant failure. A common method is known as a phone book study. A phone book study looks at when a restaurant is listed in the phone book compared to when it is eliminated from the phone book. This method does not indicate the reason for failure. One phone book study, in particular, was done in Dallas, Texas (Cline, 2003).

The phone book study focused on restaurants listed under certain letters of the alphabet in the Dallas area (Cline, 2003). The letters chosen give the results from both commonly used letters, such as "S", and less commonly used letters, such as "A" (Cline, 2003). Three different types of data were obtained using this study: the number of restaurants that opened within a year, how many restaurants fail within a year and a life-cycle analysis of the restaurants (Cline, 2003).

The study was done by analyzing each year's phone book, from 1997-2002, to see when a restaurant appeared in the phone book and when it was removed (Cline, 2003). Fast-food restaurants were not counted in this study (Cline, 2003). Cline's (2003) research concluded that on average 23 percent of restaurants close in their first year of operation. The rate of 23 percent only includes those restaurants, which did not appear in the phone book from one year to the next. The rate does not include change of ownership, which narrows its view from other types of studies.

Another way to track restaurant failure is to collect data from the local health department (Parsa, 2005). This method uses operating-license permits, monitored by the health department, to give a researcher a better look into the restaurant's ownership because permits must be renewed each year (Parsa, 2005). When a health department assigns a permit to a restaurant, the restaurant is given a specific identification number that does not change. The owner of the restaurant is also given a specific number. Comparing the two numbers shows when an owner of a restaurant has changed and also when a restaurant goes out of business (Parsa, 2005). The data collected from the health department gives broader information than can be obtained from a phone book study because change of ownership can be seen along with when a restaurant opens and closes.

Parsa's (2005) study of health department permits showed that a restaurant is less likely to fail the longer it has been open. The first year failure rate was calculated at 26.26 percent, with a second year rate of only 19.23 percent and the third year with the lowest failure rate of 14.35 percent (Parsa, 2005). The highest amount of change of ownership also occurred in the first year of operation (Parsa, 2005). The study shows that the first year of business is crucial to

success in the industry. Learning how to get over the hump of the first year will allow a restaurant a greater chance of survival.

Another way to study restaurant failure is through an entirely different approach, qualitative data collection. While qualitative data is not focused on numbers, it can give insight into the reasons behind restaurant failure (Parsa, 2005). Independent restaurant owners were interviewed to collect the data for a study done by the *Cornell Hospitality Quarterly* (Parsa, 2005). Both successful and unsuccessful restaurant owners were interviewed to give both perspectives (Parsa, 2005). From the interviews, it was found that having a clear concept for management, food and atmosphere is important to the success of a restaurant (Parsa, 2005).

Due to the importance a clear concept plays in a restaurant's success, it is key to look at the process behind choosing a concept. The first step in creating a concept is to look at the different types of restaurant industry sectors. The sector of a restaurant is categorized by price, style of service and quality of food. There are three different sectors: quick-service, midscale and upscale (Goldman, 1993). Within each sector there are different concepts ranging from steakhouses, ethnic foods and casual dining. Each sector and concept can be paired to create a restaurant suitable for a certain location, such as the Village.

Quick-service restaurants are more commonly known as fast-food restaurants, such as Wendy's and Arby's (Goldman, 1993). The sector is known for its speed, lower prices and limited service. The quick-service sector is the largest of the three. Restaurants in this sector are commonly owned by franchises with few independent owners (Goldman, 1993).

The midscale sector can offer limited or full table service, which can be characterized by simply the delivery of a meal without a waiter/waitress or by having a waiter/waitress assigned to each table (Goldman, 1993). Midscale restaurants are valued for larger portions than upscale

venues and a higher quality food than quick-service. These restaurants are also valued for their atmosphere but have higher prices than a quick-service restaurant. This sector comprises about one-third of all restaurants (Goldman, 1993).

Upscale restaurants feature the most assorted concepts and provide full table service (Goldman, 1993). Even higher prices and a full menu also categorize this sector. Upscale restaurants are valued for their high quality of ingredients and also feature a fine dining atmosphere (Goldman, 1993).

Within each of the three sectors, there are different concepts. The midscale and upscale sectors are the primary goal of this research; therefore, the focus will be on the concepts that best fit those sectors (Goldman, 1993). The concepts are as follows: steak houses, seafood restaurants, Mexican restaurants, Italian restaurants, Asian restaurants, family-style restaurants, casual-dining restaurants and fine-dining restaurants. Each concept has different characteristics and can be used to cater to different markets and in different sectors (Goldman, 1993). Some of the concepts can be combined to create a more unique atmosphere.

Steak houses and seafood restaurants feature specific attributes that can become a problem in keeping a restaurant going. A steak house is hard to maintain in a time when many people are becoming more health conscious and are more aware of their intake of red meat (Goldman, 1993). Despite the risks of larger waistlines, many fad diets favor less carbohydrates and more protein, which can lead to increased sales at steakhouses (Walker, 2005). While having primarily red meat on the menu can cause problems, adding other items such as salads and poultry can make a menu more diverse (Goldman, 1993).

Seafood restaurants encounter a similar problem. The availability of fresh fish does not always meet demand and polluted waters can affect a consumer's willingness to eat seafood

(Goldman, 1993). Today's market, however, may see a rise in seafood restaurants due to the increase in farm-bred fish that make seafood more readily available at a cheaper price (Walker, 2005). Since these restaurants have specific problems, it would not be wise to open a restaurant with one of these concepts in the current hard economic times.

Ethnic restaurants are becoming more and more common. Concepts such as Mexican, Italian and Asian can be seen in both the midscale and upscale sectors. To be able to compete, ethnic restaurants need to be able to pull in ethnic food from specific regions (Goldman, 1993). An Italian restaurant, for example, needs to feature more than just the traditional lasagna and fettuccine alfredo. Instead, such restaurants should stay away from generalizations and focus on regional cuisine (Goldman, 1993).

Asian restaurants also face obstacles specific to their concept. This concept requires labor-intensive preparations that can become costly if not done by a family because family labor is generally cheaper and food can become unauthentic when done with large equipment (Goldman, 1993). As a result, if an ethnic restaurant concept were to be used as a concept for the Village, it would need to be different than just the broad definition of the ethnic cuisine.

Family-style, casual-dining and fine-dining are all defined more by the atmosphere and price of the restaurant than by the type of food sold there. A family-style restaurant is one that provides good food for families that live on a budget (Goldman, 1993). It is a place where it is easy to take children, and it provides food for all ages.

A casual-dining restaurant is defined by having moderate prices and an informal atmosphere. While casual-dining can be thought of as casual cuisine, it is actually a growing market for more sophisticated and trendy food (Goldman, 1993). This concept offers the most opportunity for the independent owner and is one of the fastest growing concepts (Goldman,

1993). Fine-dining restaurants suffer in an economic downturn, like the one the U.S. is experiencing now. These restaurants, however, are viewed as having quality ingredients that are worth the high prices. Many fine-dining restaurants are able to adapt to economic pressures and morph into casual-dining restaurants (Goldman, 1993).

An important step in deciding on a concept and sector is to look at the demographics of the area in which the restaurant will be located (Goldman, 1993). There are several different aspects that define a demographic profile. An owner should look at median age, types of dwellings, households with children, growth and level of income (Goldman, 1993). These statistics can be gained by looking at census data from the area. Another set of data that is important is information concerning the sales of current restaurants and the market share of the different sectors of restaurants in the area (Goldman, 1993). These numbers can be attained by looking at the restaurant activity index (RAI) and the restaurant-growth index (RGI) for an area (Goldman, 1993).

The RGI for Muncie is 118, according to *Restaurant Business* (2010) magazine. The RGI base calculation is 100. The amount above 100 is the percentage of seats needed to meet demand, while a number less than 100 is the percentage of seats over demand (Goldman, 1993). A RGI of 118 indicates that Muncie's restaurant seats could increase by 18% before the number of seats would equal the demand.

An important aspect to opening a restaurant in the Village is looking at the median age and income of the target market. The income level of students, the primary market to a restaurant in the Village, greatly impacts where students eat. When looking at the Village, it must be taken into consideration the lack of disposable income that a college student possesses (Goldman, 1993). The median age of a college town is also an important aspect of opening a

restaurant in the Village. While many areas should take into account an aging population, a college town has about the same median age year after year (Goldman, 1993). It is, however, important to learn the median age of the area beyond the college to see what the population is when college students are on breaks (Goldman, 1993).

The method of choosing the correct sector and concept for the Village can be done in many ways. One of the ways is to look at the competition. A nontraditional approach to learning about your competition is to drive around the market area and see who eats at the different establishments. This can be accomplished by looking at license plates of the restaurant's patrons and also by paying attention to which restaurants are busy and when they are busy (Goldman, 1993).

Another approach is to ask the locals where they like to eat (Goldman, 1993). It is also advantageous to use a traditional method to choose a concept, such as, conducting a focus group or lifestyle group (Goldman, 1993). A focus group is a discussion led by a professional with a selected group of the people who live in the area. Lifestyle groups are a way to analyze the type of people that live in the area based on income, age and motivation. These groups can be very extensive or very simplistic based on the method one uses (Goldman, 1993).

After the demographic data is collected and analyzed, it is important to chart the outcomes. In the case of Muncie, Indiana, the average age is 28.9 (U.S. Census, 2000). The largest numbers of citizens are in the 20-24 (17.3 percent), 25-34 (12.9 percent) and 35-44 (11.2 percent) age brackets (U.S. Census, 2000). The proximity to Ball State University, however, would make restaurants in the Village more targeted to the 15-19 (10.5 percent) and 20-24 (17.3 percent) age groups (U.S. Census, 2000). These age groups value speed and a good deal (Goldman, 1993). People at this age are looking for different food concepts, and frequent fast-

food establishments. Another important aspect a restaurant should provide for this age group is a take-out option (Goldman, 1993).

Restaurants fail for many different reasons. A major cause of restaurant failure is competition in the market, which is influenced by location, growth and competitive advantage (Parsa, 2005). Competition is a bigger threat to first-year restaurants and independent restaurants due to less financial backing than chain restaurants and that a newer restaurant is less established in the community. The size of a restaurant also plays a role in the likelihood of failure. A larger firm is less likely to fail than a small firm (Parsa, 2005).

Chain restaurants can cause competition that is hard for independent firms to handle (Enz, 2004). While a chain restaurant has to make accommodations for the economy and competition, independent restaurants do not always have the financial backing to pull themselves out of the hole. Chain restaurants cause sales in small, independent restaurants to fall (Enz, 2004). Seasonal clientele can also affect the sales of a restaurant (Enz, 2004). Increasing sales during the off-season is vital to the success of a restaurant in the Village where three months out of the year the primary clients are gone. By looking at the demographics of the area surrounding the university, a restaurant in the Village can learn to cater to the city of Muncie instead of just the college students.

Restaurants also fail when management is not fully prepared for the business. One way an owner can be unprepared to open a new operation is a lack of funding. According to the president of Hospitality Works, Inc., Isidore Kharasch, a lack of funding is one of the top reasons restaurants fail in their first year (Hughes, 2003). Starting up a restaurant can be extremely expensive. Opening a restaurant can cost between \$2,000 and \$5,000 each month for rent alone, let alone the cost of purchasing and maintaining equipment, which can range between \$15,000

and \$35,000 (Hughes, 2003). None of those prices even include permits or construction, which might be needed on a building that was not previously a restaurant (Hughes, 2003). It is not uncommon for an owner to invest \$1 million in a restaurant (Walker, 2005).

Another way an owner might not be fully prepared is a lack of formal education in key areas of restaurant financial management. Considering the amount of money that can be invested in a restaurant, it is important to have the knowledge to counter the risk. Learning about the industry is an important step in starting a restaurant. One can learn about the industry and how to be successful by getting a degree that has to do with the industry. There are more than 740 schools that offer programs dealing with the food industry (Walker, 2005). The knowledge of how a restaurant works can make or break a restaurant.

Another important aspect of this study is that failure rates are higher for restaurants in a restaurant dense area, similar to the Village (Parsa, 2005). The amount of restaurants in an area can also cause a restaurant to fail. One restaurant's proximity to another could either bring attention to a new restaurant or indicate that an area has already reached saturation (Parsa, 2005). Changes in the surrounding environment can also impact the success of a restaurant. When the economy changes or construction clogs a restaurant's entrance, restaurants can be negatively affected (Parsa, 2005). The success of a restaurant can also be influenced by internal factors such as management, food quality and high employee turnover (Parsa, 2005).

The location of a restaurant can also play a large role in a restaurant's success or failure (Parsa, 2005). In one study, a restaurant owner claimed location played a role in the failure of the business, but it is important to note that the location had no parking and a small amount of marketing had been used to advertise the business (Parsa, 2005). Even though location does play

a role in the success of a business, a poor location can be thwarted by a quality product and good advertising (Parsa, 2005).

Since this paper is focused on developing a restaurant that will be successful in the Village, different locations within the Village will need to be considered. It will be critical to analyze all of the locations available in the Village and their past successes, or failures. One location, in particular, cannot seem to house a food establishment for longer than a year. Over the past four years, four bars have held this location including Moe's Tavern, Doc's on Dill, Charlie's Library and currently Be Here Now (Kirschner, 2010).

Management of human resources is also an important aspect of maintaining a successful restaurant. When restaurant owners were asked what their biggest concerns were, managing human resources was one of the most commonly given answers (Enz, 2004). Many of these restaurant owners cited lack of motivation in workers due to the low wages provided by the industry (Enz, 2004). Another aspect of human resources that is a concern to owners is the lack of skilled workers available to the restaurant industry due to the stigma attached to working in food service (Enz, 2004).

Human resources play a large role in all businesses. Wing-Out is a restaurant that lasted less than a year in the Village. The restaurant opened in August 2006 and closed in January 2007 (Khouli 2006; Zeek, 2007). An article in *The Ball State Daily News* cites differences between management and employees as a possible reason for the closure (Zeek, 2007). One employee stated that the owner still owed him money from past work, but the owner claims that employees called in sick when scheduled to work or did not provide the appropriate amount of hours that the employee could work (Zeek, 2007).

The concept of a restaurant also plays a role in human resources and is more than just the type of food served there (Parsa, 2005). A concept is also the atmosphere of a restaurant and the philosophy behind the management of a restaurant (Parsa, 2005). It is important that a manager knows the direction the restaurant is going. Knowing what the concept of a restaurant is will allow the manager to pass that information down to his or her employees.

Methods

When looking to create a restaurant in the Village, it is important to define what and where the Village is. According to the Delaware-Muncie Metropolitan Plan Commission's Executive Director Marta Moody (2010), the Village is defined as the eight-block radius encompassed by Ashland and North Streets from north to south and McKinley Avenue and Dicks Street from east to west. Moody (2010) said that the Village is zoned as a BL Limited Business Zone, which does not include restaurants or bars. As a result, Moody (2010) stated that in order to build a restaurant or alter any existing building, one would need to get a variance from the city.

One of the first steps in opening a restaurant is picking the concept. To pick a concept, it is important to look at the demographic profile of the area, as mentioned previously. The median age of Muncie is 28.9 (U.S. Census, 2000). The median income of Muncie, as of 1999, is \$26,613 (U.S. Census, 2000).

While looking at the demographics of the area is important, it is also equally important to consider popular trends in the industry. According to *Restaurant Hospitality* (2010), the popular trends for 2011 include pies, mom and pop restaurants, snack sized food, local food, high-end hot dogs and fried vegetables. These trends have been predicted by Andrew Freeman, whose

company, Andrew Freeman & Company, gives restaurants and hotels advise on marketing (*Restaurant Hospitality*, 2010). *Restaurant Hospitality* also identified five lasting trends. These trends are “Just Like Mom’s – Only Better,” “They’re a Gas: Gastropubs,” “Raising the Bar on Bar Food,” “Attack of the Snacks” and “Eat Your Veggies” (Rowe, 2010).

For the Village, I have chosen to go with a comfort food concept. This concept will appeal to both families and homesick college students. The concept will also hit one of the major trends from *Restaurant Hospitality*, “Just Like Mom’s – Only Better” (Rowe, 2010). In order to incorporate the concept into all aspects of the restaurant instead of just in the food, I will furnish the restaurant much like an informal dining room with large kitchen tables and comfortable chairs to create a homey feel to the restaurant.

To choose the location of a successful restaurant in the Village, I looked at the different spaces in the area that are available to rent. One space that stood out is the former location of the Discount Den on the corner of North Calvert Street and University Avenue, in the heart of the Village; it is also currently the only space available in the Village. Unfortunately this location is not currently outfitted for a restaurant; as a result, I would need to acquire a variance to accomplish the necessary upgrades. The only way to obtain a variance is to bring an appeal to the Metropolitan Board of Zoning Appeals (M. Moody, personal communication, November 10, 2010).

The location of the former Discount Den caught my attention because it is vacant and because the previous business had been fairly successful. This is also the only available space in the Village. The space is 2,035 square feet, and it is available to rent for \$18.87 per square foot/year. The total for one year would be \$38,400, or \$3,200/month. This, however, does not include the amount of money needed to get permits, buy equipment, staff the restaurant or

renovate the existing structure. There are several downsides to choosing this location. The two most prominent are that it is not currently a restaurant and that I would need to obtain a zoning variance.

Converting a building into a restaurant is a large financial undertaking. Changing an already existing structure can cost as much as \$200,000 on the low side, according to Christopher Egerton-Thomas (2006). There are several things to consider when looking for financial backing to convert an existing building into a restaurant. Some possibilities are to use your own finances, ask friends or relatives or get a loan (Walker, 2005). The most promising option is to get a loan; however, it is important to acknowledge that many banks see restaurants as high-risk and might be unwilling to loan money to start a restaurant (Egerton-Thomas, 2006).

In order to open a restaurant, it is critical to establish an opening budget. This budget will allow operations to continue after it opens and cover all opening costs. The budget includes all prices incurred while opening the restaurant. Things such as license fees, hiring expenses, advertising, construction, equipment, furniture and the menus, are part of the budget (Wade, 2006). Creating this budget will help decide the pricing on the menu and how much money will be needed to open the restaurant.

There are several stages to complete in order to renovate the building. The first stage is planning. In order to begin planning the renovation, one must collect data on the process of getting the building approved (Wade, 2006). The second step is to acquire licenses and permits that pertain to the building process. These permits can include building, demolition, change of use and signage permits (Wade, 2006). Licenses that are required to run a restaurant include liquor, sales and use tax and certificate of occupancy (Wade, 2006). In order to find information on these permits and licenses, I called the Delaware County Metropolitan Board of Zoning and

Appeals and found that the next obstacle in using the former Discount Den location is getting a variance (M. Moody, personal communication, November 10, 2010).

In order to present a plan to the Metropolitan Board of Zoning Appeals, I would need to come up with a plan for my conversion (Egerton-Thomas, 2006). Successful proposals often have conversions done by a professional architect (Egerton-Thomas, 2006). The next step in the process will help give the owner an idea of how to change the existing structure also known as the design stage.

To begin the design stage, it is important to create a line drawing of the building (Wade, 2006). The line drawing will give the owner a way to see the flow of the building and figure out how to design the interior (Wade, 2006). One of the biggest considerations to make while designing the interior is how to allocate the space inside the building. The menu plays a large role in this assessment (Wade, 2006). The menu items will determine the equipment needed in the kitchen, which will in turn, define how much space is needed in the kitchen. After the space has been allocated and the design of the restaurant decided, it is time to bring in an architect to bring the project together.

Creating the menu for a comfort food restaurant will depend upon which foods are considered comfort food in that area. The menu will feature appetizers such as macaroni and cheese bites, fruit salad, French onion soup, black-eyed pea soup and apple-squash soup. Entrees will include egg frittata, braised pork chops, fried fish, ratatouille and grilled chicken with apple chutney. Desserts would include apple crisp, peach cobbler and fudge cake. These menu items are features in typical Midwest homes and will be made on site.

There are several different methods that can be used to decide how much the restaurant should charge for each menu item. Some methods include the factor method, price blending and

product cost percentage. Mark up pricing is the most common pricing method (Wade, 2006). The method divides the raw food cost by the optimal food cost objective (Wade, 2006). The food cost objective or food cost percentage should range between 30 and 35 percent (Wade, 2006). The method is used because it looks at all costs involved in the food for each menu item (Wade, 2006).

The equipment needed for a kitchen greatly depends on the food items available on the menu. Matching the equipment to the menu can be a daunting task because each piece of equipment has both an initial cost and recurring maintenance costs (Walker, 2005). Having the proper equipment available for employees also reduces the amount of skilled labor needed to accomplish a task (Walker, 2005). Examples of time saving equipment that also makes the job require fewer skilled workers are dishwashers and slicers (Walker, 2005). For the menu items mentioned above, the kitchen would need to be equipped with the basics such as a traditional range, griddle top, convection or conventional oven, microwave oven, a reach-in refrigerator (due to the amount of customers), a reach-in freezer and any specialty cooking equipment that is deemed necessary (Walker, 2005).

The next stage in the renovation process is to hire a contractor and begin construction (Wade, 2006). It is important to hire a professional to do the building to make sure the work is done up to code and within the state standards. The construction and design of a restaurant helps to set the atmosphere. One of the most important steps in the construction process is to create a budget (Wade, 2006). The budget will help guide the construction. It is also important to look at the different requirements made by the Americans with Disabilities Act (Wade, 2006).

Business Plan

Executive Summary

This business plan will explain the restaurant Slice of Home. The restaurant will be casual dining with a comfort food concept. The restaurant will focus on producing homemade food that is common to the area. Each menu item will go through a survey process to make sure it suits the location. Examples of items on the menu include macaroni and cheese bites, apple-squash soup, French onion soup, ratatouille, apple crisp and peach cobbler. These are common comfort food items in the Midwest and will be affordable for customers.

Slice of Home will be built in the Village district of Muncie, Indiana. The Village is an area of Muncie close to Ball State University's campus. It will be located at 1801 W. University Ave. The demographics of Muncie make it suitable for a family oriented restaurant that is also friendly to college age students. The average age of Muncie is 28.9 years old with young adults (20-24) being the largest group (U.S. Census Bureau, 2000). Families and college students mostly populate the area surrounding the location of the restaurant. The menu of the restaurant will be tailored to this market segment by providing food that is affordable and fresh.

The restaurant will be decorated like a family dining room. In order to create a feel that the food is homemade and from the heart, the tables will range from small to large kitchen tables with comfortable chairs, both of which will be made out of wood. The environment will be conducive to large parties as well as small, and will create an informal feel that invites the guests to make themselves at home.

The menu will range across several different comfort foods from macaroni and cheese bites to grilled chicken. Each item will be prepared in house. As a result, the kitchen will require enough space to make each item, as well as the equipment necessary. The items on the menu will be made fresh to order with desserts made on a daily basis.

Opening a restaurant can be extremely expensive. RestaurantOwner.com (2010) surveyed the members of their Web site and received 400 responses to the question of how much it costs to open a new restaurant. The responses showed that the average cost of starting up a restaurant when no land was purchased is \$451,966 (RestaurantOwner.com, 2010). Out of that amount, the average construction cost was \$267,547 (RestaurantOwner.com, 2010). The total to start the restaurant would be about the average listed above, \$451,966 because the existing building would need to be renovated to accommodate a restaurant and the building would be leased not purchased.

Industry

The restaurant industry is constantly growing. The number of degree programs in hospitality and the culinary arts appearing in schools across the nation are a testament to the increase in demand for restaurants. Currently, more than 740 higher education schools offer programs dealing with the food industry (Walker, 2005).

Not only is the industry growing in general, but the Muncie area also shows a demand for more restaurants. According to *Restaurant Business* (2010) magazine, the RGI for Muncie is 118. This indicates that the amount of restaurant seats in Muncie could increase by 18 percent before reaching the amount equal to demand. As a result, a new restaurant in Muncie would not go beyond the demand in the area.

The concept of comfort food is one of the lasting trends in the restaurant industry (*Restaurant Hospitality*, 2010). This trend is also not already in the area where the restaurant will be located. Comfort food is an underrepresented concept in the Village, which would result in less competition from the other establishments in the Village. The Village is mostly populated with burger joints, bars, pizza, coffee and sandwich establishments. Utilizing a new and lasting

trend will allow the Slice of Home success and little competition. Other concepts have failed in the past, such as burgers and bars, but the concept of comfort food does not have a history in the Village.

Vision and Objectives

The vision for Slice of Home is to begin renovation of the building in the fall of 2011 with the restaurant opening a year later, in the fall of 2012. Slice of Home will require all employees to be trained in Serv-Safe and have a manual in place for the conduct of employees as well as the operation. Training the employees and providing them with a manual will help to insure a high quality of product and service.

Slice of Home aims to draw in both college students and the general public of Muncie. The Village is highly populated with college students; however, the restaurants that survive in the Village are the ones that can draw a crowd from the general public as well. To get a crowd at the restaurant, Slice of Home will advertise with the visitors' bureau, around town and with college students.

Business Description

The Slice of Home will be located on University Avenue in a 2,035 square foot building. The space will be divided between the kitchen and the dining area, with more space being allotted for the kitchen to provide ease of flow. The front of the house will consist of a hostess stand as well as the dining area. There will be roughly 10 tables with 30 seats. Five of the tables will be four-tops with the remaining five tables as two-tops. The range of two-tops and four-tops will accommodate both large parties (if tables were joined together) and small parties. Each table would look different so no numbering system would be required, as each table would have a defining characteristic.

The back of the house will be used for all of the equipment, preparation area, storage and refrigeration. One of the perks of building a restaurant in a building that did not house a restaurant previously, is the ability to make the kitchen as big as needed. The equipment required for the menu along with the preparation area needed, will determine the amount of space given to the kitchen.

Market Research and Analysis

Choosing the site for Slice of Home was not very difficult as there are not many options currently available in the Village. The corner of Calvert Street and University Avenue is the perfect place for a restaurant. It is close to two of the college bookstores and away from most of the restaurants. There are also parking spaces nearby. Across the street is parking used by Scotty's Brewhouse for employees, but there is also more parking a block away and behind the building next door. The area is highly trafficked by both college students and the general population of Muncie. It is also fairly close to downtown Muncie where several businesses are located.

A comfort food concept is unique to the Village. The restaurants in the area are mostly bars, sandwich places and burger joints. These restaurants cater mostly to college students, with the exception of Scotty's Brewhouse and Greek's Pizzeria, which seem to be frequented by both college students and the general public. In order to set the Slice of Home apart from the competition, the concept and menu will be different. Comfort food and décor will give Slice of Home a competitive advantage.

Operational Plans

Slice of Home will be open seven days a week. Sunday through Thursday, the restaurant will be open from 11 a.m. until 8 p.m. and Friday and Saturday it will be open from 11 a.m. until

9:30 p.m. These hours will allow the restaurant to serve lunch and dinner seven days a week and be open during high traffic times. In order to reach the estimated sales of \$1,136,867 (discussed in depth in the Budgets and Financial Plans), Slice of Home would need to serve roughly 113,687 covers or customers per year if the average cover spent is \$10. To reach that number of covers, roughly 2,186 covers would need to be served in a week or 312 covers per day.

There are several methods that a manager can use to decide staff requirements on a given day. One of the simplest methods is looking back over a week and assessing whether or not the staffing met customer needs and adjusting accordingly (Dittmer, 2003). A large part of this process is looking at the average number of covers served daily. The estimated number of 312 covers per day can be broken down into lunch and dinner covers. It is estimated that roughly 40 percent (125 covers) of the covers served will take place during lunch hours and 60 percent (187 covers) during dinner hours. With 125 covers for lunch and 187 covers for dinner, the restaurant would turn seats over roughly 4 times during lunch and 6 times at dinner.

Staffing requirements are easily estimated using a table that indicates the amount of covers per hour and how many staff members are required to accommodate that number (Dittmer, 2003). Table 1 shows an example of what this table would feature and the amount of servers needed to accommodate a typical weekday at the restaurant. A similar table would be used to find the amount of cooks needed, as well as when a hostess would be needed. These tables would then be used to figure out how many employees would need to be hired.

Table 1

Staffing Table for Servers Based on Estimated Covers

Hours of Operation	Estimated Covers	Servers
10 A.M. to 11 A.M.	0	2
11 A.M. to 12 P.M.	25	2
12 P.M. to 1 P.M.	45	4
1 P.M. to 2 P.M.	30	4
2 P.M. to 3 P.M.	20	2
3 P.M. to 4 P.M.	10	2
4 P.M. to 5 P.M.	25	2
5 P.M. to 6 P.M.	45	4
6 P.M. to 7 P.M.	55	4
7 P.M. to 8 P.M.	52	4
8 P.M. to 9 P.M.	0	2

Note: Estimated covers are based on 125 covers per lunch and 187 covers per dinner.

The key to the Slice of Home's operation plan lies in the mission of the restaurant. The Slice of Home aims to bring together the college population of Muncie with the community-at-large through good, healthy food at a cozy location. To accomplish this, the Slice of Home will create delicious menu items in house. The comfort food featured on the menu will go hand in hand with the at home feel made by different kitchen tables scattered across the front of the house.

Budgets and Financial Plans

A loan would be needed to pay for the opening costs of \$451,966. There are several possible sources for these funds including local banks, a savings and loan association, friends, family or a partnership (Walker, 2005). Getting a loan from a bank can be difficult but with collateral, it is possible (Walker, 2005). The Small Business Administration is another possible route that can be good for restaurant owners, as there is a 65 percent rate of success for loans to restaurants through this method (Walker, 2005).

In a survey, RestaurantOwner.com (2010) revealed that the average yearly sales for a restaurant are \$1,136,867. The average amount of sales can then be broken down to find the typical costs during the year. To make a 10 percent profit, a restaurant would need to allot 40 percent of the sales to the cost of food and beverage, 20 percent to labor costs and 30 percent to rent, loans, utilities and other miscellaneous costs (Dittmer, 2003). With the total average sales of \$1,136,867, the yearly cost of food and beverage would be approximately \$454,747 making the monthly cost of food \$37,896. The cost of labor would be roughly \$227,373 per year or \$18,948 per month. Other costs, such as rent, utilities and loans, would be about \$341,060 a year or \$28,422 per month. The remaining 10 percent of roughly \$113,686 would be the year's profit.

The first year will be key to survival. So many restaurants fail in the Village in their first year of operation. The goal will be to have customers both from the college population and the general population of Muncie. To accomplish this, it will be important to advertise the restaurant as being both family friendly and budget friendly. After that, it will be imperative to try to increase the number of customers. An increase in sales dollars will allot the money needed to pay back any loans acquired to complete construction. To reach this goal, the concept of the restaurant, comfort food, will adapt to the changing times through menu changes based on the

most popular menu items. Other things, such as operating hours, will also be adapted to be cost effective.

Conclusion

I began this project hoping to create the ideal restaurant to accommodate the needs of both the students of Ball State University and the residents of Muncie. I planned to find out what would survive in the Village of Muncie by analyzing what had failed and been successful in both the area near Ball State University and the areas around other college campuses. After beginning the research, it became clear that this method would be almost impossible to use. Instead, I began looking at common reasons for failure and how to avoid those issues.

The reasons for restaurant failure were not hard to find, but deciding what would be successful in the Village was difficult. I finally decided on a comfort food concept because it had not been attempted in the Village before and would experience little competition from the current restaurants in the area. From there, I began looking at creating a business plan for the restaurant. My original goals of creating a layout design and menu fell by the wayside as the business plan began to unfold.

While working on the project, I discovered how hard it would be to actually build a restaurant from the ground up. Figuring out the money involved in opening and running a restaurant was the most daunting part of the process. It was hard to find industry averages to base my plans on. I realized, while making the business plan, how important looking at the common reasons of failure is to the success of a new restaurant. Without looking at the past, it is impossible to see the holes in my plan.

Even though I was unable to follow my initial ideas for this project, I am very happy with what I have accomplished. The end result of this project is more valuable than the layout of the restaurant or the menu. Instead, this paper is a handbook on how to create a restaurant that will be successful. It provides the reasons for failure, how to be successful and a plan of action for a restaurant.

Works Cited

Cline Group (2003, September 13). Unit Start-Up and Failure Study. *Restaurant Start & Growth Magazine*, 3-20.

Dittmer, P.R. (2003). Principles of Food, Beverage, and Labor Cost Controls (7th ed.). New York: John Wiley & Sons, Inc.

Egerton-Thomas, C. (2006). *How to open and run a successful restaurant* (3rd ed.). New Jersey: John Wiley & Sons, Inc.

Enz, C.A. (2004, November). Issues of Concern for Restaurant Owners and Managers. *Cornell Hotel and Restaurant Quarterly*, 45, 315-332.

Goldman, K. (1993, December). Concept Selection for Independent Restaurants. *Cornell Hotel and Restaurant Quarterly*, 34, 59-72.

Khouli, G. (2006, August 24). Wing-Out brings new food, environment to area; fills void left by several unsuccessful businesses. *The Ball State Daily News*. Retrieved from <http://www.bsudailynews.com/2.14295/wing-out-brings-new-food-environment-to-area-fills-void-left-by-several-unsuccessful-businesses-1.2012341>

Kirschner, M. (2010, August 18). New bar, new atmosphere at Be Here Now. *The Ball State Daily News*. Retrieved from <http://www.bsudailynews.com/new-bar-new-atmosphere-at-be-here-now-1.2305446>

Kerman, J. (2005, December 7). Romo's Pizza closes after eight months of business. *The Ball State Daily News*. Retrieved from

<http://www.bsudailynews.com/2.14316/romo-s-pizza-closes-after-eight-months-of-business-1.2014445>

Moody, M. (2010, November 10). Personal Communication.

Parsa, H.G., Self, J.T., Njite, D. and King, T. (2005). Why restaurants fail. *Cornell Hotel and Restaurant Administration Quarterly*, 46, 304-322.

Restaurant Business Magazine. (2010). *Towns with Potential* [Restaurant Growth Index]. Retrieved from <http://www.monkeydish.com/growth/towns-with-potential>

RestaurantOwner.com (2010). Industry Survey: How Much Does it Cost to Open a Restaurant? Retrieved from <http://www.restaurantowner.com/public/811.cfm>

United States Census Bureau. (2000). *Muncie city, Indiana - DP-1. Profile of General Demographic Characteristic: 2000*. Retrieved from http://factfinder.census.gov/servlet/QTTable?_bm=y&-qr_name=DEC_2000_SF1_U_DP1&-ds_name=DEC_2000_SF1_U&-lang=en&-geo_id=16000US1851876

Zeek, A. and Ortman, E. (2007, January 11). Wing-Out's future uncertain. *The Ball State Daily News*. <http://www.bsudailynews.com/2.14295/wing-out-s-future-uncertain-1.2011105>

Wade, D. (2006). *Successful restaurant management: From vision to execution*. New York: Thomason Delmar Learning.

Walker, J.R. and Lundberg, D.E. (2005). *The restaurant: From concept to operation*. New Jersey: John Wiley & Sons, Inc.